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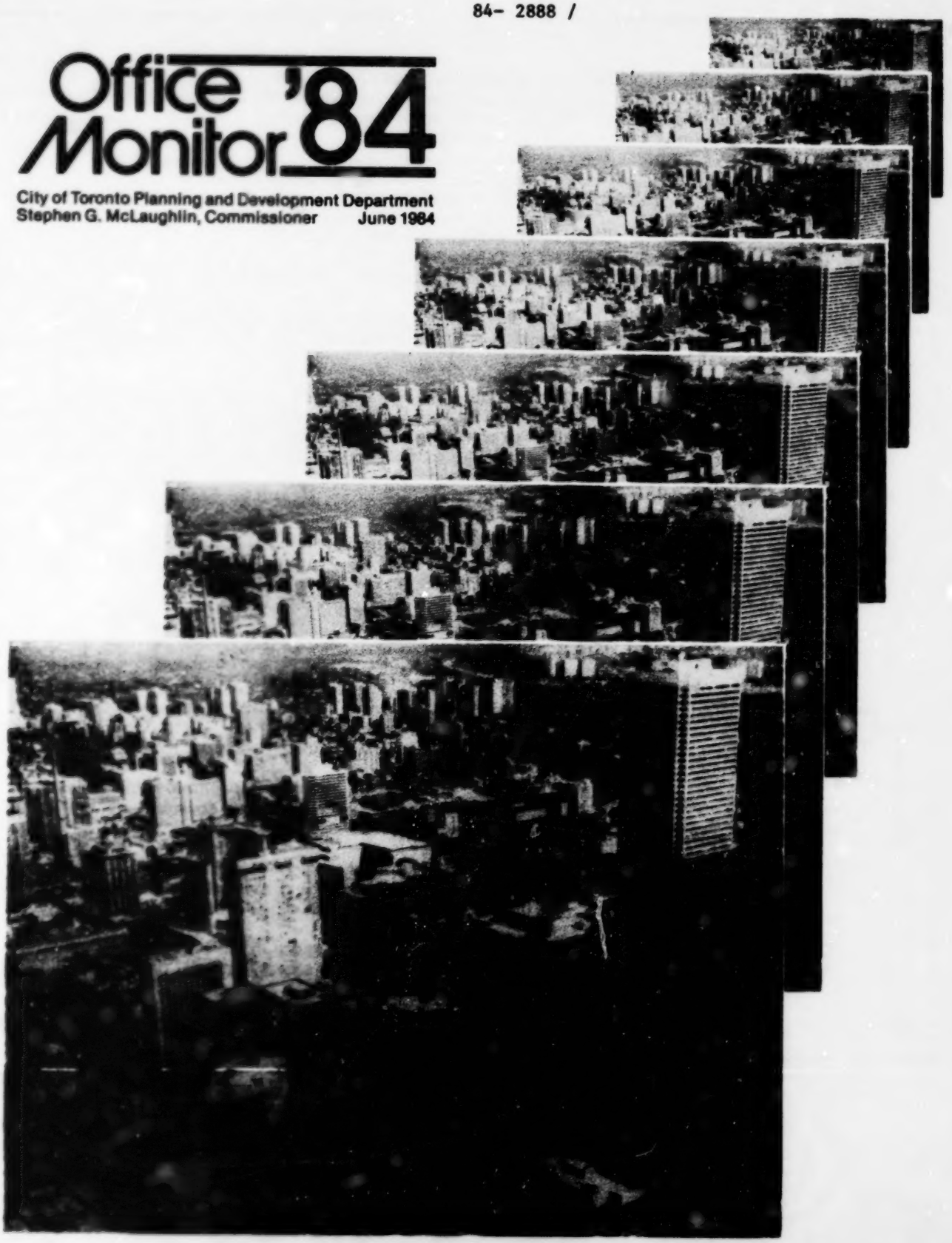
Office Monitor '84

City of Toronto Planning and Development Department
Stephen G. McLaughlin, Commissioner

June 1984



Office Monitor '84

This edition of Office Monitor 84 presents an overview of office development trends in Toronto's Central Core area, the Toronto Region and the North American office market. The report is divided into six sub-sections:

Part A: Office Growth in the Central Core
Part B: Central Core at a Glance
Part C: The Regional Context
Part D: Demand for Office Space
Part E: Office Rental Rates
Part F: The North American Context

The Office Monitor series is prepared annually for Toronto City Council in accordance with requirements set out in the City's Official Plan.

Office Monitor 84 is a general review only. A companion report-Office Monitor 84-Statistics contains a detailed inventory of all development projects in the City, comprehensive summary tables and project maps. Additional copies of reports in the Office Monitor series can be obtained from:

The City of Toronto
Resource Centre
1st Floor
New City Hall
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(416) 947-7410

Highlights

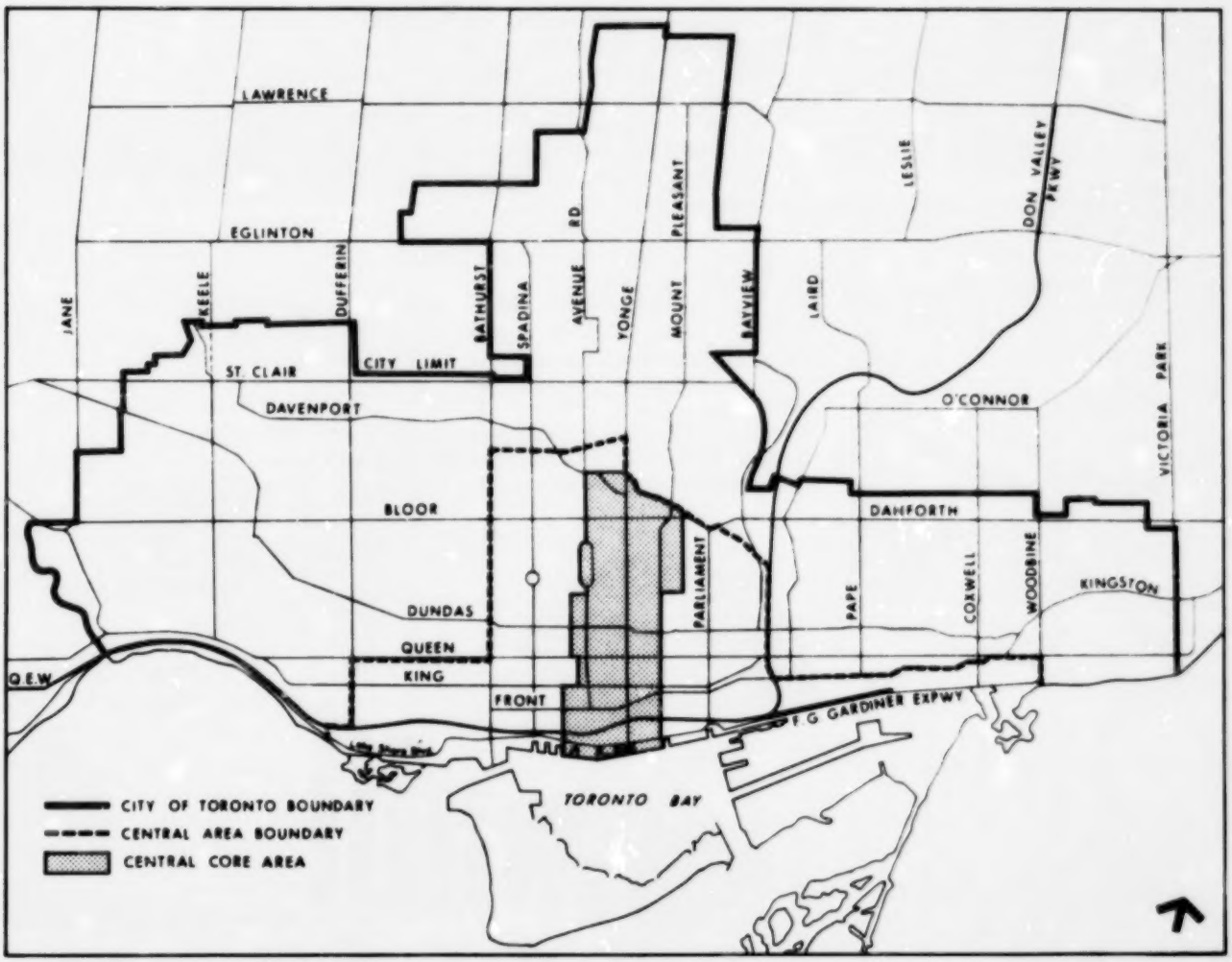
- On the basis of new projects likely to start construction in Toronto's Central Core in 1984 and 1985 it appears unlikely that office space built and under construction in the Core will exceed the 1986 review limits for office growth prior to 1986.
- The supply of new office space in the Toronto Region reached record levels in 1983 in spite of a sharp downturn in the demand for additional space in 1982.
- Suburban developments are continuing to capture a steadily increasing share of new office construction in the region, even as growth in the Central Core remains strong.
- The vacancy rate for office space in the Core reached the 9-10% range in December 1983, up sharply from 5% one year earlier and 2% two years ago.
- The abundant supply of available space led to a slight downturn in asking rents in 1982 and 1983.
- These trends should result in a slowdown in new office construction activity in 1984. Office rental rates can be expected to stabilize and rise as the vacancy rate for office space falls.
- Conditions influencing the Toronto market closely parallel those affecting the major U.S. office markets.

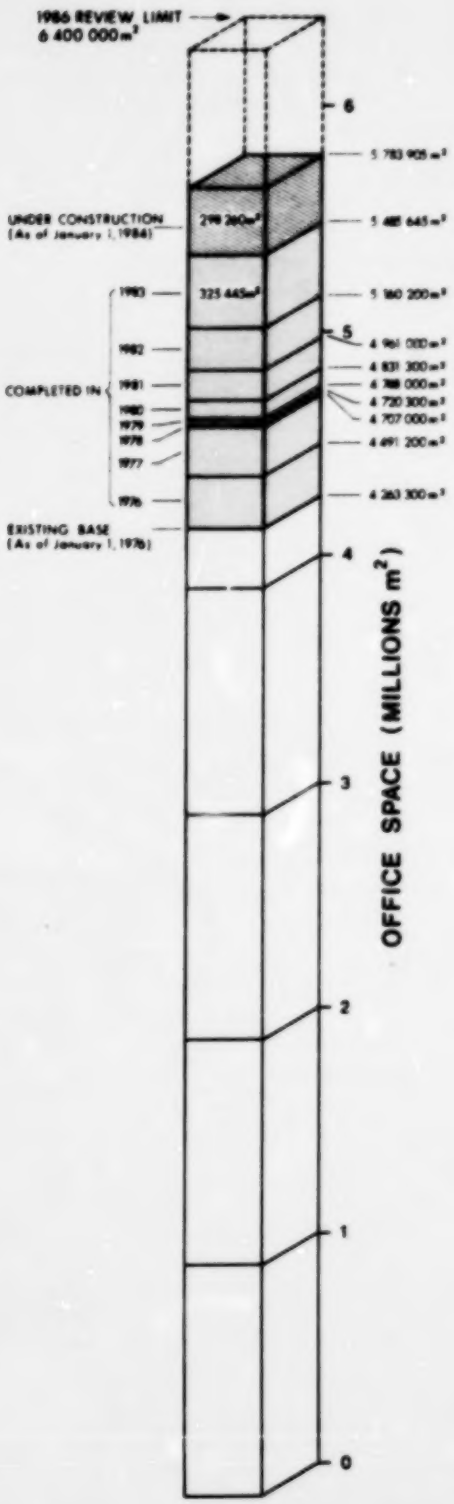
Part A:
Office Growth in the Central Core

Toronto's Central Core is Canada's leading business location. The major administrative centres of national financial activity are located here, together with the offices of the provincial, metropolitan and City governments and many of the Toronto region's leading retail businesses and entertainment activities.

Central Core—1983 Capsule Summary

Total Office Space	5 485 600 sq metres
Office Workers	178400 (full and part time)
Market Vacancy Rate	9.8% (December 1983)





Since 1976, the City of Toronto's Planning and Development Department has monitored office development to determine whether the growth of office space in the Central Core is maintained at a rate consistent with that necessary to achieve Official Plan objectives. These objectives include the deconcentration of employment to office sub-centres elsewhere in the metropolitan region. Office growth in the Core should also be compatible with the capacity and anticipated utilization of the transportation system serving the Central Core.

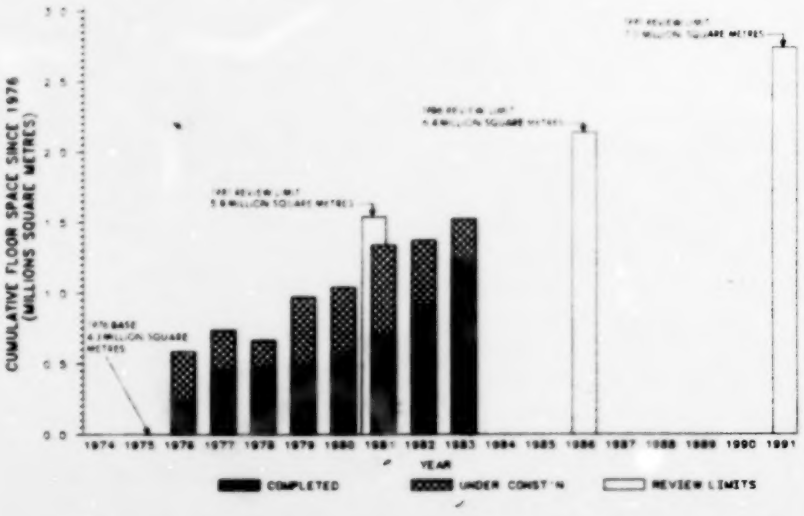
Since 1976, just over 1.2 million square metres of office space has been built in the Central Core.

The Plan contains review limits for 1981, 1986 and 1991 with the objective of maintaining office growth within these limits. Should the total amount of office space built and under construction in the Core exceed these limits prior to the year to which a limit applies, the limits will be reviewed by Council. If this review indicates that the review limits are not appropriate, Council may increase or decrease the review limits by an amendment to the Plan. (Refer to Official Plan Sec. 1A.5 for precise wording).

Official Plan Review Limits

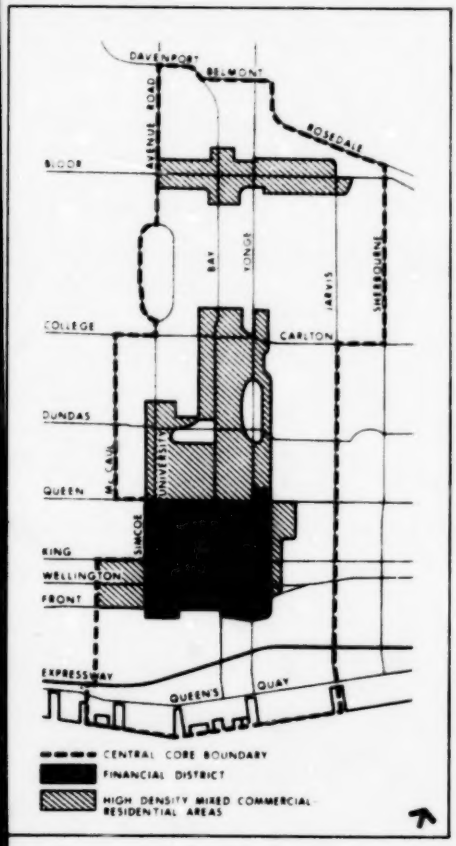
- 5.8 million square metres by Jan. 1, 1981
- 6.4 million square metres by Jan. 1, 1986
- 7.0 million square metres by Jan. 1, 1991.

Growth of Office Space in Central Core Since 1976 in Relation to Official Plan Review Limits



So far, the rate of office development within the Core appears consistent with the growth expectations set out in the Plan. As of January 1, 1984 there is a cushion of 616,000 square metres between the 1986 review limit and space built or under construction. A total of 289,000 square metres has been approved, but is still to begin construction. An additional 452,000 square metres of office space has been proposed but has yet to receive Council approval.

Current trends suggest that the existing supply of space built and under construction will be adequate to satisfy the likely demand for additional space in the Core over the next two to three years. High vacancy rates in the Core (presently in the 9 - 10% range) will likely slow down the start of new office construction. On the basis of new projects likely to start construction in the next two years, it appears unlikely that the 1986 review limit will be exceeded prior to 1986.

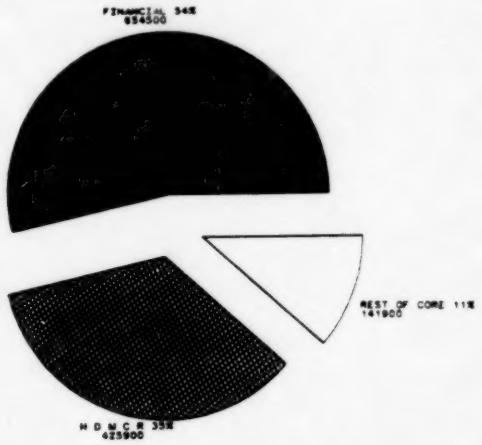


In its Official Plan, Toronto City Council has designated two priority areas for the development of office space within the Central Core. These are the Financial District and the High Density Mixed Commercial Residential Areas (HDMCR).

Office growth since 1976 has been consistent with these priorities:

- Financial District -.65 million square metres completed (54% of Central Core total)
- HDMCR Areas - .43 million square metres completed (35% of Central Core total)
- Rest of Core - .14 million square metres completed (11% of Central Core total)

Office Space Completed in Core by Sub-Area, 1976-1983

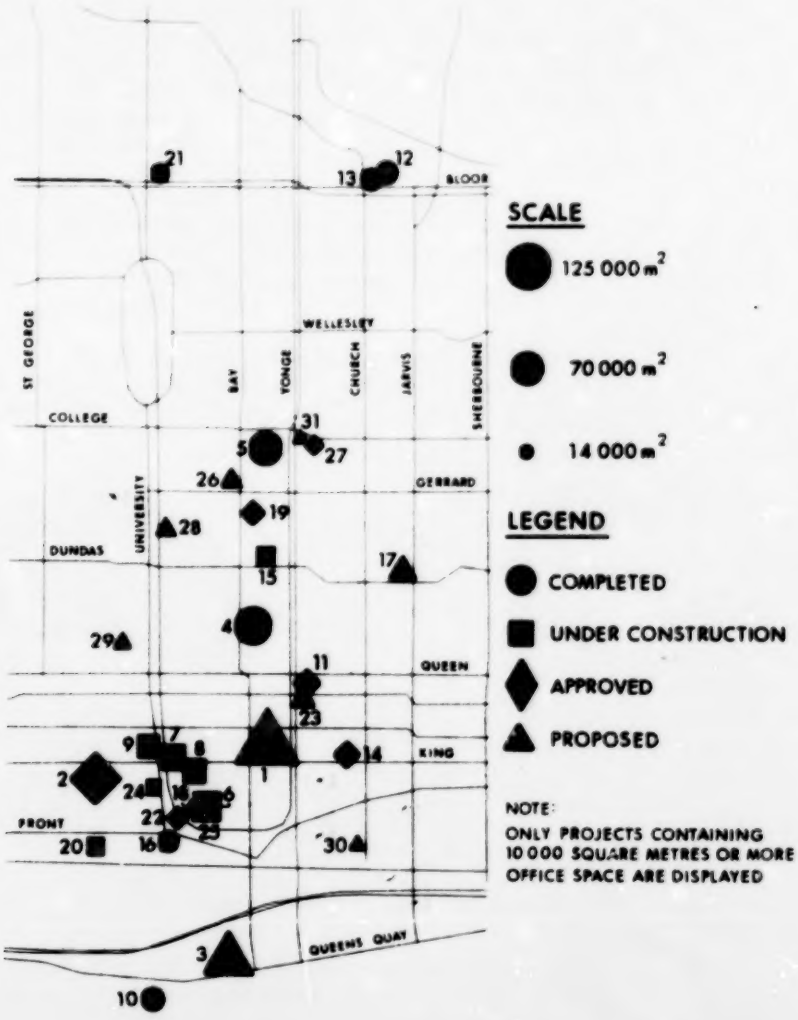


Part B: Central Core at a Glance

This section presents a brief summary of major office projects in the development process. Only office projects containing more than 10,000 square metres of office space are included. Project status is based on information available as of January 1, 1984. Projects are numbered in descending order by the amount of office space in each project.

- Approved means that a rezoning, development review or building permit has been approved by Council, but no construction has begun.
- Proposed means that application has been submitted for rezoning, development review or building permit but approval has not yet been granted.

Central Core at a Glance— Status of Major Office Projects as of January 1, 1984



Central Core at a Glance — Status of Major Office Projects as of January 1, 1984

1. Scotia Plaza
   34 King St. W.
   66 storeys 138 689 sq.M.
   Proposed

2. Marathon Block B (Downtown West)
   255 King St. W.
   17 storeys 105 423 sq.M.
   Approved by Council

3. Waterpark Place
   10 Bay St.
   35 storeys 89 563 sq. M.
   Proposed

4. Bell-Trinity Building
   483 Bay St.
   16 storeys 87 216 sq. M.
   Completed in 1983

5. Maclean Hunter Building
   444 Yonge St.
   10 storeys 72 156 sq. M.
   Completed in 1983

6. Toronto-Dominion Centre 4th Tower
   79 Wellington St. W.
   36 storeys 65 983 sq.M.
   Under Construction

7. Sun Life Phase 1
   150 King St. W.
   28 storeys 52 220 sq. M.
   Under Construction

8. Standard Life
   121 King St. W.
   25 storeys 45 819 sq. M.
   Under Construction

9. Sun Life Phase 2
   200 King St. W.
   23 storeys 43 548 sq. M.
   Under construction

10. Terminal Warehouse
    207 Queens Quay
    12 storeys 36 265 sq. M.
    Completed in 1983

11. Confederation Square
    20 Richmond St. E.
    37 storeys 34 921 sq. M.
    Approved by Council

12. Manufacturers Life
    200 Bloor St. E.
    addition 33 274 sq. M.
    Completed in 1983

13. Crown Life
    180 Bloor St. E.
    15 storeys 32 884 sq. M.
    Ready for Occupancy in 1983

14. 70 King St. E.
    16 storeys 32 053 sq. M.
    Approved by Council

15. Atrium on Bay
    595 Bay St.
    14 storeys 30 938 sq. M.
    Under Construction

16. University Place
    123 Front St. W.
    19 storeys 30 296 sq. M.
    Completed in 1983

17. Simpsons-Sears Expansion
    222 Jarvis Street
    addition 29 645 sq. M.
    Proposed

18. Toronto Club
    107 Wellington St. W.
    addition 27 829 sq. M.
    Proposed

19. 655 Bay Street
    33 storeys 27 551 sq. M.
    Approved by Council

20. Metro Convention Centre
    255 Front St. W.
    26 storeys 27 134 sq. M.
    Under Construction

21. Renaissance Plaza
    150 Bloor St. W.
    addition 24 053 sq. M.
    Completed in 1983

22. One University Ave.
    19 storeys 23 887 sq. M.
    Approved by Council

23. 147 Yonge Street
    Addition 23 557 sq. M.
    Proposed

24. 70 University Ave.
    14 storeys 20 802 sq. M.
    Under Construction

25. 95 Wellington Street W.
    20 storeys 19 525 sq. M.
    Approved by Council

26. 720 Bay Street
    14 storeys 19 017 sq. M.
    Proposed

27. 21 Carlton Street
    21 storeys 18 545 sq. M.
    Approved by Council

28. 525 University Avenue
    15 storeys 17 217 sq. M.
    Proposed

29. Canada Life
    190 Simcoe Street
    10 storeys 14 764 sq. M.
    Proposed Addition

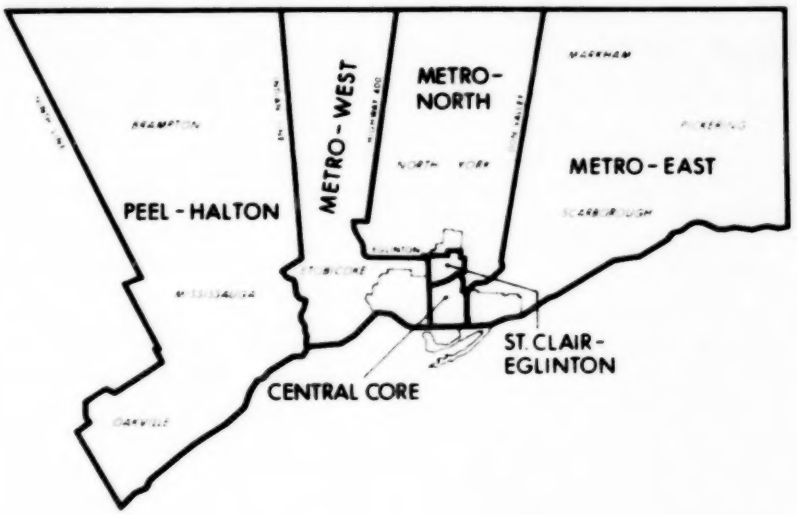
30. St. Lawrence Phase C1
    75 The Esplanade
    9 storeys 11 322 sq. M.
    Proposed

31. 437-441 Yonge Street
    441 Yonge Street
    10 storeys 10 765 sq. M.
    Proposed

Part C: The Regional Context

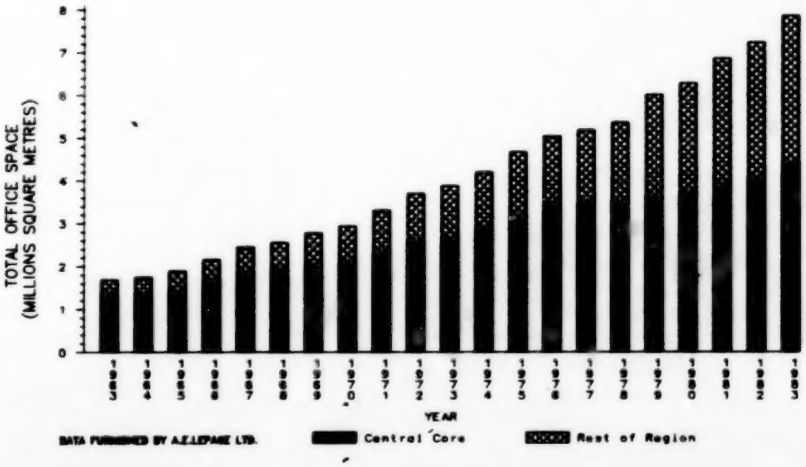
Data furnished by A.E. LePage Ltd. from their annual survey of office space provide a basis for examining trends in office growth across the entire Toronto urban region. This region includes all of Metropolitan Toronto as well as Mississauga, Brampton, Oakville, Markham and Pickering. (See map)

Toronto Region—Office Districts

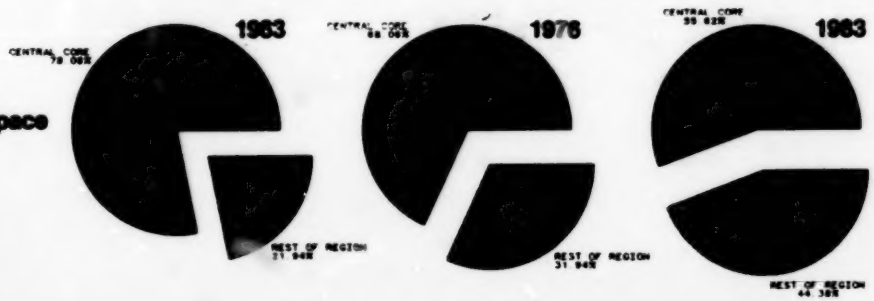


The rapid growth of office space in the Toronto Region is readily apparent from the accompanying chart. Over the past twenty years, the total supply of office space has more than quintupled from 1.75 million square metres in 1963 to 7.8 million square metres in 1983.

Total Supply of Office Space—Toronto Region, 1963-1983



Distribution of Office Space



Average Annual Rate of Office Growth
(Thousands of square metres)

Period	Core	Suburbs	Total
1964-73	129	90	219
1974-78	167	129	296
1979-83	184	313	497

In the past five years, regional office growth has averaged just under half a million square metres per year.

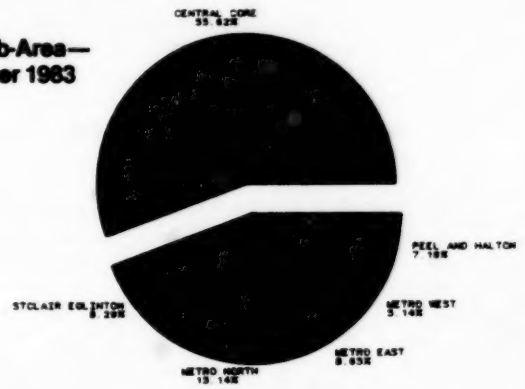
The deconcentration of office space is an important principle in both the City of Toronto's and Metropolitan Toronto's Official Plans. Trends to date clearly indicate that the suburban areas are attracting a steadily increasing share of regional office growth.

In 1963, the Central Core accounted for 78% of the total office space in the Toronto Region. By 1983 the Core's share had fallen to 56% even though the total office space in the Core had more than tripled over this period.

The North York Centre, Scarborough Town Centre and office park developments in North York, Mississauga and Markham have dominated recent suburban office growth. The accompanying pie charts illustrate the current distribution of office space in sub-areas of the region as well as the distribution of office growth since 1976.

Since 1976, the rate of suburban office growth has been quite dramatic. Nearly 60% of all office space built in the Toronto Region since 1976 has been located outside the Central Core Area.

Total Office Space by Sub-Area—Toronto Region, December 1983



Regional Office Growth, 1976-1983

Source: A.E. LePage Ltd.

Part D: Demand for Office Space

Absorption of office space is measured as the annual increase in occupied floor space.

In the Core the long term demand for office space has been fairly steady averaging 140,000 to 150,000 square metres a year. Average annual demand for office space in areas outside the Central Core has steadily increased and has doubled the level of demand in the Core over the past five years.

Average Annual Absorption of Office Space
(Annual Increase in Occupied Space)
(Thousands of square metres)

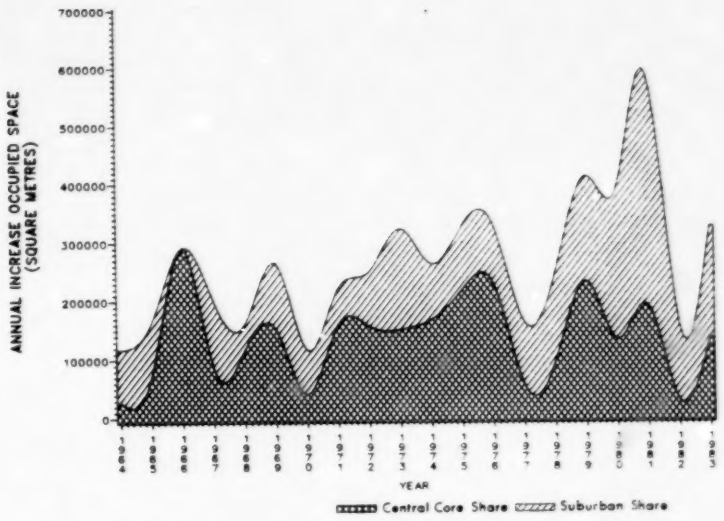
Period	Core	Suburbs	Total
1964-73	125	85	210
1974-78	152	113	265
1979-83	143	280	424

The long term averages disguise the volatility of the office market, particularly over the past five years. As the charts illustrate, the region-wide demand for office space reached record levels over the 1979-1981 period, peaking at an annual rate of nearly 600,000 square metres in 1981. The strong demand rapidly absorbed available office space, lowering vacancy rates in 1980-81 to around 2% in the Core and 6% in the suburbs.

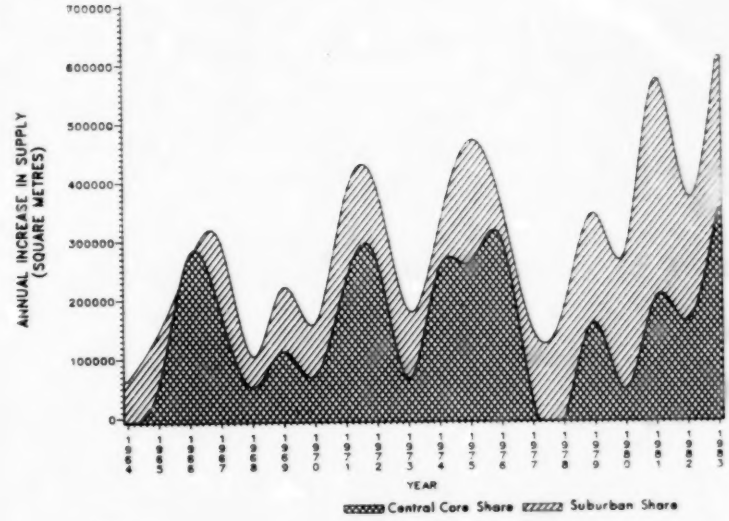
The demand for space triggered an office building boom which brought over 1.5 million square metres of new office space onto the regional market between 1981 and 1983.

Expected rapid absorption of this new space was derailed by the recession as the demand for new office space dropped dramatically in 1982 to its lowest level in 20 years. Although conditions improved and led to a reasonably strong recovery in 1983, vacancy rates rose to nearly 10% by December 1983 in both the Core and the suburbs.

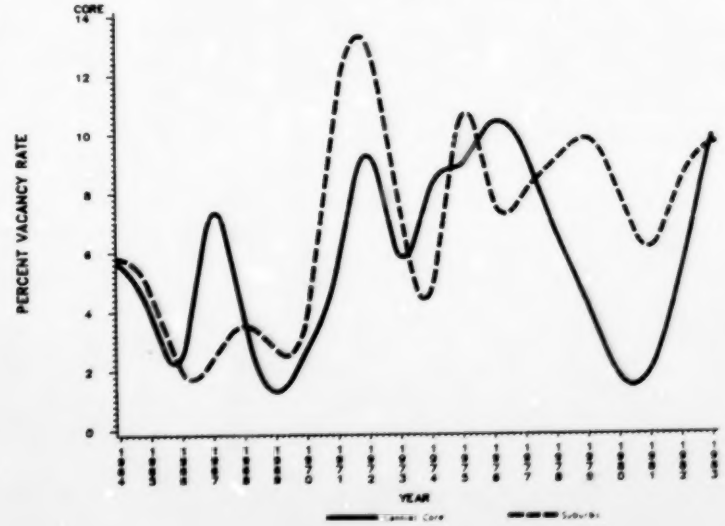
Annual Absorption of Office Space in Toronto Region, 1964-1983



Annual Supply of Office Space in Toronto Region, 1964-1983



Annual Vacancy Rates— Central Core and Suburbs, 1964-1983



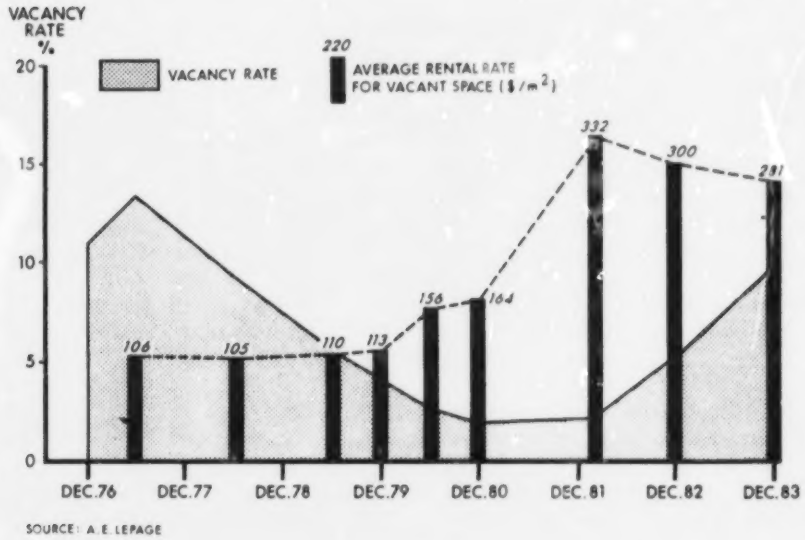
Part E: Office Rental Rates

Strong demand and low vacancy rates over the 1979-1981 period precipitated a sharp rise in average office rental rates. Average rents in the Central Core doubled between December 1980 and March 1982. Suburban rents also rose considerably, although not as steeply as those in the Core.

The slowdown in demand in 1982 and 1983 brought about a reduction in average rents charged. Rents are expected to stabilize in 1984 as the demand for new office space begins to pick up and vacancy rates fall.

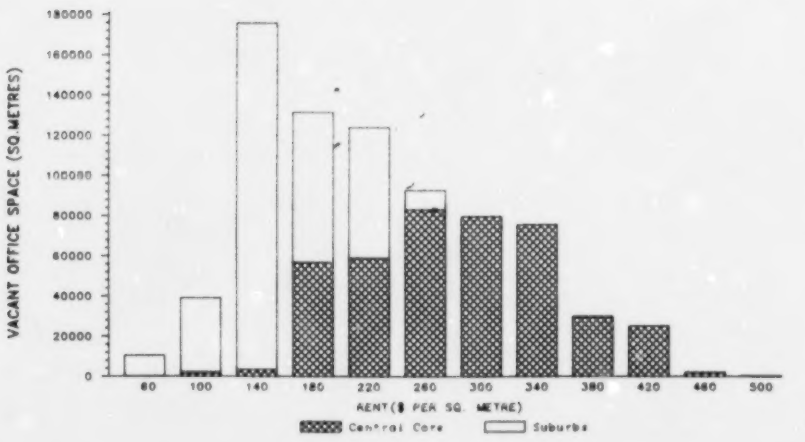
The bulk of currently available suburban space falls in the $140 to $220 per square metre range and averages $159 per sq. metre, while rents in the Core range from $180 to $340 per square metre with prime office space renting at even higher levels. Rents in the Core currently average $281 per sq. metre. Average rents are based on rents asked for vacant space and are weighted by the amount of vacant space available.

Relationship Between Rental Rates and Vacancy Rates—Central Core, 1976-1983



SOURCE: A.E. LEPAGE

Distribution of Vacant Space by Asking Rent—Central Core and Suburbs, December 1983

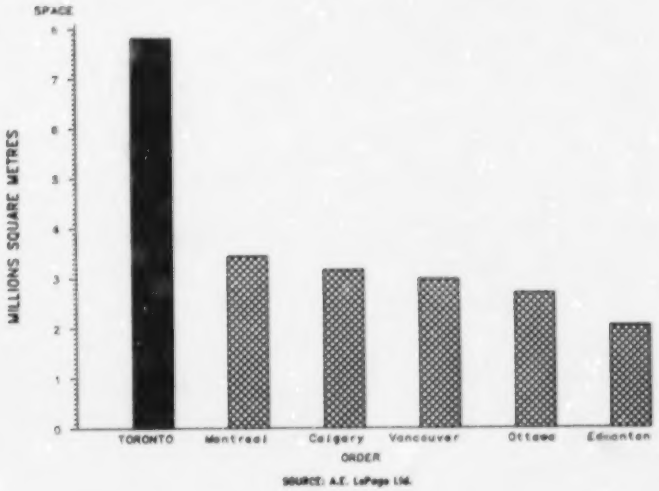


Part F:
The North American Context

The Toronto office market not only dominates the Canadian scene, but is a major market in relation to the largest U.S. cities. The accompanying charts show that the supply of office space in the Toronto Region is more than double that found in each of the other major Canadian office markets-Montreal, Calgary, Vancouver, Ottawa and Edmonton.

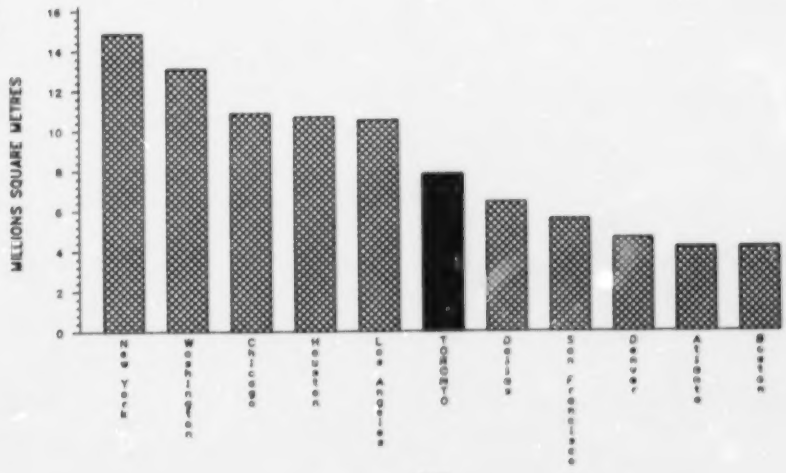
When compared to the ten largest office markets in the United States, Toronto ranks sixth in size behind New York, Washington, Chicago, Houston and Los Angeles.

Toronto Region in Comparison to the Major Canadian Office Markets— Total Office Space



SOURCE: A.E. LePage Ltd.

Toronto Region in Comparison to the Ten Largest U.S. Office Markets— Total Office Space



SOURCE: OFFICE NETWORK INC

In terms of rents asked for vacant office space in the Central Business Districts, Toronto ranks eighth among major North American centres.

Average Asking Rents For Vacant Space in the Central Business Districts Major North American Centres, December 1983

City	($/sq.m.)	($/sq.ft)
New York	$552.74	$51.35
San Francisco	$464.91	$43.19
Los Angeles	$365.33	$33.94
Boston	$345.86	$32.13
Houston	$332.08	$30.85
Washington	$327.66	$30.44
Denver	$305.49	$28.38
TORONTO	$280.95	$26.10
Dallas	$264.05	$24.53
Chicago	$245.75	$22.83
Atlanta	$237.24	$22.04

(All values reported in Canadian dollars)

Source:Office Network Inc.

There is a strong similarity between conditions affecting the major U.S. office market and those described earlier in the Toronto Region.

- High supply and weak demand, particularly in 1982 resulted in a sharp rise in vacancy rates and a general reduction in rents charged for available space.
- Despite a slight rise in rental rates in the past six months, average U.S. rental rates remain about 3% below rents charged in late 1981.
- These trends have led to a more cautious approach to further supply increases by U.S. developers and lenders. Office space currently under construction in the U.S. is down 31% from one year earlier and is currently at its lowest level since 1980.

For more information contact Steve Dynes or Simon Chamberlain at 947-7185.

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Planning and Development Department
by the Information and Communication
Services Division, Department of the City Clerk.

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